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## **GRAHAM COUNTY POLICY: PUBLIC SAFETY PERSONNEL RETIREMENT SYSTEM (PSPRS) PENSION FUNDING POLICY (2020)**

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### **I.PURPOSE**

To establish a pension funding policy, in accordance with A.R.S. § 38-863.01, that identifies the Board of Supervisors' funding objectives and strategies for maintaining stability of the County's Annual Required Contribution (ARC) and addressing the County's Unfunded Actuarial Accrued Liability (UAAL).

### **II.POLICY**

The County shall comply with state law by annually adopting a pension funding policy that meets the criteria set forth in A.R.S. § 38-863.01. The Chief Financial Officer shall present the policy to the Board of Supervisors for adoption before the first regularly scheduling meeting in July.

### **III.PROCEDURES**

1. The Board of Supervisors Public Safety Personnel Retirement System (PSPRS) funded ratio goal is 100% (fully funded) over a period of 30 years (beginning in FY2017-2018). The plan to achieve this goal requires full ARC payments, which are the normal cost and the UAAL amortization, from operating funds over the entire amortization period of 30 years. The estimated ARC for FY 2019-2020 is \$404,769. FY 2020-2021 marks 27 years remaining in the 30 year amortization period.
2. The Board of Supervisors recognizes that employing strategies to reduce the County's UAAL earlier in the amortization period will reduce overall costs to the County for this liability, and be a long-term financial benefit to the taxpayers. The Board may use the following strategies to accomplish reduction of the UAAL:
  - a. Include in the County's budget full pension payments for vacant positions and employees in the Deferred Retirement Option Plan (DROP).
  - b. Pay into the system the higher of the budgeted amount of ARC or actual required employer contribution.
  - c. Consider pre-payment of budgeted employer contributions early in the fiscal year.
  - d. Based on fund balance at fiscal year-end, consider sending in additional lump sums to be applied to the UAAL.

#### IV.COUNTY'S SHARE OF ASSETS AND LIABILITIES

1. The Board of Supervisors formally accepts the assets, liabilities, and current funded ratio of the County's PSPRS trust funds as reported by PSPRS, the plan administrator. The following information is from the June 30, 2019 individual plan actuarial valuations:

<b>Trust Fund</b>	<b>Assets</b>	<b>Accrued Liability</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>
Sheriff's Department	\$5,201,243	\$9,042,406	\$3,841,163	57.5%
Corrections	2,332,379	2,979,747	647,368	78.3%
Dispatchers	689,811	696,895	7,084	99.0%
<b>Total Amount</b>	<b>\$8,223,433</b>	<b>\$12,719,048</b>	<b>\$4,495,615</b>	<b>N/A</b>

*Note: assets and liabilities listed for pension plans only (does not include health plans)*

#### V.DEFINITIONS

1. Unfunded Actuarial Accrued Liability (UAAL) – Is the difference between trust assets and estimated future costs of pensions earned by employees.
2. Annual Required Contribution (ARC) – Is the annual minimum amount required to pay into the pension funds, as determined through normal annual actuarial valuations. It is comprised of two primary components: normal pension cost – which is the estimated cost of pension benefits earned by employees in the current year; and, amortization of UAAL – which is the cost needed to cover the unfunded portion of pensions earned by employees in previous years. The UAAL is collected over a period of time referred to as the amortization period. The ARC is a percentage of current payroll.
3. Funded Ratio – Is a ratio of fund assets to actuarial accrued liability.